

April 12, 2013

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Via E-mail & Regular Mail

US EPA RECORDS CENTER REGIO



Re:

G&H Landfill Superfund Site – Financial Assurance Requirements United States of American v. Browning Ferris Industries, Inc.

Consent Decree; Civil Action 92-CV-75460-OT

Dear Mr. Cahn:

We write to you on behalf of the G&H Landfill PRP Group ("Group") in response to the letter dated December 7, 2012 from Richard Karl of the U.S. EPA and as a follow up to our recent telephone conversation and e-mail exchange (copy attached).

The Group continues to disagree with the U.S. EPA's position that audited financial statements alone are insufficient to meet the financial security requirements in the Consent Decree for the G&H Landfill Superfund Site ("Site"), and that the Consent Decree limits the options for a financial assurance mechanism ("FAM") to only the forms set forth in 40 C.F.R. Section 264.145. The Group views such a position as contrary to the plain meaning of the language in Paragraph 81 of the Consent Decree, which expressly provides that the Group may rely upon a FAM in "the form of audited financial statements which satisfy the substantive criteria" of the referenced federal regulation. To read that specific exception language in Paragraph 81 of the Consent Decree otherwise, would render it a nullity and contradict the parties' intentions when they negotiated and agreed upon the inclusion of the audited financial statement option during the formation of the Consent Decree, Moreover, the annual cost to the Group of having to meet one of the financial security options set forth in the federal regulations is significantly higher than relying on audited financial statements, which would result in another heavy annual financial burden on the Group notwithstanding the fact that the Group has consistently performed and funded Site work without interruption through the severe economic impact of the recent recession and the loss of two major Group members (Chrysler and GM) to bankruptcy.

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For the U.S. EPA to reject the lower cost FAM option of audited financial statements not only goes against the language and intent of the Consent Decree, but would unfairly impose higher costs on the Group even though it has a proven track record, such that at no time over two decades of Site work under the Consent Decree has the U.S. EPA had to address any circumstance where drawing upon financial security was necessary to ensure the continuity of Site work performance. Accordingly, the Group requests that, before initiating dispute resolution under the Consent Decree, the U.S. EPA reconsider its position on the form of FAM required and inform the Group of the specific additional verification documentation (beyond that in Group member Ford's SEC 10-K Report) that it would require from the Group to show that it has audited financial statements which satisfy the requirements of Paragraph 81 of the Consent Decree.

As noted in Mr. Karl's letter and as we have discussed, it would also be appropriate for the parties to determine, before initiating dispute resolution, whether they can reach agreement on the current amount of financial security that would need to be established through an acceptable form of a FAM for the present value of remaining Site work. That way, the parties would know whether dispute resolution is necessary to address outstanding issues regarding the form and amount of the FAM. Further, an agreement between the parties on the FAM amount may very well facilitate their agreement on the form of the FAM, as opposed to the parties investing in the time and expense of dispute resolution on just that issue alone.

During our telephone discussion, I reported that, since receiving Mr. Karl's letter, the Group has been working with Conestoga-Rovers & Associates ("CRA") - its longstanding technical contractor which has been involved at the Site through the remedial design/remedial action ("RD/RA") phases and all operation, maintenance and monitoring ("OMM") work to date – to review the bases for the financial security amount in Paragraph 81 of the Consent Decree and to determine the estimated present value of remaining Site work. With the benefit of that background and CRA's extensive Site experience, the Group has concluded that a substantial reduction of the \$40 million financial security amount in the Consent Decree is in order and that \$6.8 million reflects a reasonable estimate of the present value of remaining Site work. The Group's position on reducing the FAM amount is based on the following:

1. The \$40 million financial security figure in Paragraph 81 of the Consent Decree was taken from the U.S. EPA's Record of Decision ("ROD") for the Site, which included the Summary Of Agency Selected Remedy (copy enclosed), showing a total present worth cost for all RD/RA and OMM work for the Site being \$39,960,537. This total consists of \$28,877,000 in pre-OMM work and \$721,000 in annual OMM work, which OMM portion was calculated to be \$11,083,537 (using a 5% discount rate over 30 years). As the Group has completed all pre-OMM Site work and over 14 years of OMM work, applying the same approach to updating the financial security amount in the Consent Decree would result in it being reduced to a level below \$7 million.

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2. Enclosed is CRA's detailed presentation of the scope and estimated costs of future OMM work at the Site. In order to match the approach used by the U.S. EPA in the ROD and in setting the original financial security amount in the Consent Decree, and to reflect a reasonably conservative value for the cost of remaining Site work, CRA calculated the current present worth of remaining OMM work using the same 30-year duration (updated to 2014-2043) and 5% discount rate. Consistent with the finding achieved when you eliminate completed work/costs from the U.S. EPA's original cost estimate in the ROD, CRA's updated present worth determination of remaining OMM work totals \$6.8 million.

As shown, there is a good faith basis for reducing the financial security amount in Paragraph 81 of the Consent Decree from \$40 million to \$6.8 million and for including an additional schedule of reductions going forward that will allow that amount to decrease further over time. Therefore, in addition to accepting (as requested above) audited financial statements alone as a sufficient form of FAM under the Consent Decree, the Group further requests that the U.S. EPA agree to make these modifications to the FAM amount requirements in the Consent Decree.

Please contact me if you have any questions about the foregoing or otherwise when the U.S. EPA is ready to discuss the resolution of these issues.

I look forward to working with you to pursue an outcome that is mutually acceptable to our clients. Thank you for your attention to these matters.

Very truly yours,

DYKEMA GOSSETT PLLC

Grant P. Gilezan

cc: William Ryan, U.S. EPA (via e-mail)
G&H Landfill PRP Group (via e-mail)
G&H Landfill Technical Committee (via e-mail)
Gavin O'Neill, CRA (via e-mail)

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